



EXPLANATORY MEMORANDUM TO PROFESSIONAL STANDARD 1 : CONTINUING PROFESSIONAL DEVELOPMENT

September 2013

A. About this Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist Members in understanding changes to Professional Standard 1 (Continuing Professional Development) ("PS 1") since the previous version was issued in August 2009.

B. Background to changes

As one element of a revitalisation of the Institute's CPD strategy, Council approved in December 2012 the transition from an hours-based CPD system to a points-based CPD system. Other elements of that revitalisation have been regularly discussed in monthly columns throughout 2012 in *Actuaries* magazine, including the development of the Actuarial Capabilities Framework and the Capability Assessment Tool.

Transition to a points-based system enables the Institute to:

- ▶ give greater CPD recognition to CPD activities which are considered of greater value in terms of learning and development (for example, writing/delivering a seminar paper as distinct from attending such a session); and
- ▶ steer Members towards CPD activities in areas where, as a profession overall, it is recognised that there is room for skills improvement (for example, leadership and communication).

This is consistent with practice in other actuarial and professional associations. The change will also make it easier for Members to claim credit for non-Institute CPD undertaken which is often promoted on a points-basis.

C. Previous exposure of proposed changes

In early December 2012, an Exposure Draft of proposed changes to PS 1 was released for comment by Members. Submissions closed on 31 January 2013 and a total of 11 submissions were received.

A number of further proposed changes were made in response to the submissions received and, based on that feedback, a Second Exposure Draft was released in April

2013 for Member comment. Submissions closed on 24 May 2013 and two submissions were received.

The Institute thanks Members for taking the time to provide their feedback on both the Exposure Draft and the Second Exposure Draft.

D. Final changes from the August 2009 version of PS 1

This section sets out the key changes in PS 1 from the August 2009 version. The majority of the changes made are to give effect to the transition to a points-based system. Members should note that the new system does not commence until 1 January 2014.

D.1 How much CPD do I now have to complete?

Unless exempted from compliance with the CPD requirements, Members will now be required under clause 4.3.1 to complete either:

- ▶ 100 points of CPD in the prior calendar year (currently, 40 hours); or
- ▶ 200 points of CPD in aggregate over the prior two calendar years (currently, 80 hours), provided at least 50 CPD points (currently, 20 hours) are completed in each of those calendar years.

Depending upon the type of CPD activities undertaken (for example, 2-point activities only), some Members may find that the changes will mean they need to complete 50 hours of CPD in a year, as opposed to the previous minimum of 40 hours. However, past experience with auditing Members' compliance with CPD requirements has shown that the majority of Members undertake significantly more CPD than the minimum under the August 2009 version of PS 1 (often 2-3 times as much) in any event. As such, the changes are unlikely to impact most Members.

D.2 How do I work out my CPD points?

The points value of CPD activity is dealt with in clauses 4.3.2 and 4.3.3 of PS 1.

Where the CPD points for a particular CPD activity are advertised – for example, in conference marketing materials – then Members may claim that number of CPD points.

Where the CPD points for a particular CPD activity are **not** advertised, then:

- (a) Members may claim between 2 and 4 points per unit of CPD activity undertaken; and
- (b) it is a matter for the Member's own professional judgment as to how much value the particular CPD activity has provided to the Member or the profession in terms of the objectives set out in clause 4.1 – and, so, how many points to claim. Those objectives are:

“The purpose of CPD is to ensure all Members maintain, improve and broaden their knowledge and skills, and to develop the personal and professional qualities needed for the provision of Professional Services.

As such, CPD is a significant component of the process whereby a Member maintains, or develops, his or her capacity to practice in accordance with the requirements of the Institute's Code of Professional Conduct and Professional Standards."

Members' professional judgment is to be based on the criteria set out in clause 4.3.3, namely:

- (a) a baseline of 2 points per hour for CPD activity (for example, attending a seminar);
- (b) 3 points per hour for activities that deliver additional value to the Member in terms of the development of his or her personal and professional skills. For example, a claim of 3 points per hour may be appropriate for volunteer services for the Institute such as membership of an Institute committee; and
- (c) up to 4 points per hour for activities that deliver substantive value to the Member in terms of the development of his or her personal and professional skills.

This is perhaps best illustrated by an example. A recently qualified actuary might gain more value from attending a seminar on a topic about which they have no knowledge than another Member who is well-versed on the topic. As such, it might be appropriate for the recently qualified actuary to claim 3 points per hour for attending the seminar, whilst the well-versed Member only claims 2 points per hour for attending the same seminar.

To assist Members, a table is provided in Annexure B to PS 1 which shows example points for some of the more common CPD activities undertaken by Members. It is illustrative only and not exhaustive – Members must still exercise their own professional judgment as described above.

D.3 Transitional arrangements

Clause 4.3.4 deals with transitional audit and compliance issues associated with the conversion from hours to points. To illustrate its operation, assume a Member is being audited in 2015 for their compliance with the Professional Standard across 2013 and 2014. If the Member had:

- (a) completed 20 hours of CPD in 2013 (that is, the Member was compliant with the qualifier of the "2 years-80 hours rule" applicable for that year), then this would (by virtue of clause 4.3.4) equate to 50 points (meaning the Member was also compliant with the qualifier of the "2 years-200 points rule" in the new Professional Standard). For full compliance purposes with the "2 years-200 points rule", the Member would then have to have completed at least 150 points of CPD in 2014; or
- (b) completed 40 hours of CPD in 2013 (that is, the Member was compliant with the CPD requirements for that year), then this would (by virtue of clause 4.3.4) equate to 100 points. The Member would then need to have undertaken either:

- (i) a minimum of 100 points of CPD in 2014 to be compliant with the CPD requirement in that year; or
- (ii) a minimum of 50 points of CPD in 2014 if they were relying on the "2 years-200 points rule" (and, in turn, they would need to undertake 150 points of CPD in 2015); or
- (c) completed 60 hours of CPD in 2013 (that is, the Member was compliant with the CPD requirements for that year), then this would (by virtue of clause 4.3.4) equate to 150 points. The Member would then need to have completed at least 50 points of CPD in 2014 to be compliant with the "2 years-200 points rule".

E. Commencement

The new version of PS 1 takes effect from 1 January 2014.

END OF EXPLANATORY MEMORANDUM